

2 JULY 2021

**NEW FOREST DISTRICT COUNCIL**

**AUDIT COMMITTEE**

Minutes of a meeting of the Audit Committee held on Friday, 2 July 2021

\* Cllr Alan O'Sullivan (Chairman)  
Cllr Emma Lane (Vice-Chairman)

**Councillors:**

\* Alan Alvey  
Hilary Brand  
Jack Davies

**Councillors:**

\* Martyn Levitt  
\* Ann Sevier  
John Ward

\*Present

**Officers Attending:**

Lisa Conway, Antony Harvey, Alan Bethune, Grainne O'Rourke, Andy Rogers,  
Ryan Stevens, G Farley and K Suter

**Apologies**

Apologies were received from Councillors E Lane, J Ward, H Brand and J Davies.

**4 MINUTES**

That the minutes of the meetings held on 23 October 2020, 29 January 2021  
and 26 March 2021 be confirmed and signed.

**5 DECLARATIONS OF INTEREST**

No declarations of interest were made in connection with any agenda item.

**6 PUBLIC PARTICIPATION**

There was no public participation at the meeting.

**7 EXCLUSION OF THE PUBLIC AND PRESS**

**RESOLVED:**

That, under Section 100(A)(4) of the Local Government Act 1972, the public and  
the Press be excluded from the meeting for the following item(s) of business on  
the grounds that it/they involve(s) the likely disclosure of exempt information as  
defined in paragraph 3 of Part I of Schedule 12A of the Act and the public  
interest in maintaining the exception outweighs the public interest in disclosing  
it.

[Description of exempt information:– Paragraph 3 – Information relating to the  
financial or business affairs of any particular person (including the authority  
holding that information).]

## 8 REVIEW OF INFORMATION GOVERNANCE ARRANGEMENTS (CONFIDENTIAL REPORT)

The Committee considered a Confidential report on a review of the Council's information Governance arrangements.

The report provided the Committee with information in respect of a recent review carried out by the Section 151 Officer and the Monitoring Officer into how the Council dealt with data handling processes and procedures, including Freedom of Information ('FOI') and Subject Access Requests. The review examined the existing governance framework surrounding information handling and how the Council dealt with its responsibilities to identify any improvements that could be made to existing arrangements.

The review was prompted, in part, because the Council needed to appoint a new Data Protection Officer following the recent departure of the Council's Legal Services Service Manager to take up new employment.

The outcome of the review included a number of recommended changes to further strengthen arrangements and procedures within the Council, which had now been implemented, with the agreement of EMT.

It was agreed that the Committee receive an annual report on Information Governance Issues.

It was suggested that members receive e-learning on the topic.

### **RESOLVED:**

That the report be noted.

## 9 TREASURY MANAGEMENT OUT-TURN REPORT 2021

### **[The meeting resumed in public session]**

The Committee considered the Treasury Management Out-Turn Report for 2021.

The report included details on:

- External and local context
- Borrowing activity
- Treasury management activity
- Non - treasury investments
- Compliance
- Treasury management indicators

It was noted at Table 1 that borrowing was up by £1.8m over the previous year as internal funds had been used to finance the capital programme, including the purchase of investment property. Overall investment balances had reduced, as demonstrated by Tables 2 and 4. The Council's investment portfolio (Table 5) compared favourably with other authorities and the capital growth achieved in pooled funds during the year meant these had now recovered to their original

acquisition values (Table 6), whilst having generated a strong income return since purchase (Table 7).

**RESOLVED:**

That the report be noted.

**10 FINAL ACCOUNTS 2020/21 BAD DEBTS WRITE OFF**

The Committee received a report on the total bad debts written off during the financial year 2020/21.

The Chairman congratulated offices on the overall outcome in view of the constraints of the pandemic.

**RESOLVED:**

That the report be noted.

**11 PROCUREMENT RULES, REGULATIONS & CONTRACT STANDING ORDERS - WAIVERS 2020/21**

The Committee received a report on Procurement Waivers in 2020/21.

There were 5 applications for a waiver against the Procurement Rules, Regulations and Contract Standing Orders between 1 April 2020 and 31 March 2021, of which 4 were approved and at the time of writing the report, 1 was still in progress.

The total value of all approved waivers was £1,000,053. This compared with 39 applications submitted during 2017/18, with approved waivers totalling £2,964,979.96; 14 applications in 2018/19 with a value of £409,695.00; and 10 applications in 2019/20 with a total value of the 7 approved waivers of £301,148.

It was explained that some of the waivers were required to enable the Council to expedite work on void properties, when there had been a shortage of materials and various other difficulties at a time when it was vital to clear a backlog to make properties available for tenants. Officers were satisfied that the waivers procedure was only being used in exceptional circumstances.

**RESOLVED:**

That the report be noted.

**12 FRAUD - ANNUAL REPORT 2020/21**

The Committee received the Fraud Report for 2020/21.

It was noted that COVID had an impact on fraud as the Authority was unable to undertake face to face interviews.

A summary was given of the main elements of the anti - fraud activities as follows:

- 62 fraud referrals relating to housing benefit

- Policies on Money laundering, whistleblowing and fraud strategy would be reviewed and brought to the next meeting.
- Joint working with DWP on investigations and prosecutions
- Participation in the Cabinet Office National Fraud Initiative
- Business support grants – security/eligibility checks
- Fraud Risk register – all council services considered potential risks
- Publicity of frauds identified, to act as a deterrent

The Council received regular updates from Hampshire County Council on known fraudulent applications identified from across the country, and checked its records.

Three grants totalling £60,000 were paid to an organised fraudster, operating nationally, with details being known after the payment. This was reported to the National Anti-Fraud Network. It was confirmed there was no recompense sought from the Council as these grants were given in line with government guidance and the same fraud had occurred in many authorities.

The Council also received two applications for the Additional Restrictions Grant from claimants, confirmed to be fraudsters, however, due to robust pre-payment checks these applications had already been refused.

Clarification was given relating to page 43, (Appendix 1) where the wording under the middle column (Result), top row should have read 'Member **of staff** given guidance on protocols.'

**RESOLVED:**

That the report be noted.

**13 ANNUAL INTERNAL AUDIT REPORT AND OPINION 2020-21**

The Committee received the Internal Auditor's report and opinion for 2020/21, which provided the Chief Internal Auditor's opinion on the adequacy and effectiveness of the Council's framework of risk management, internal control and governance for the year ending 31 March 2021.

The Committee was pleased to note that Covid had not compromised the integrity of the audit this year and the team had met 97% of the targeted work. The Internal Auditor thanked NFDC officers for their assistance and support towards achieving these results.

**RESOLVED:**

That the Annual Internal Audit Report and Opinion for 2020-21 be noted.

**14 CODE OF GOOD GOVERNANCE REVIEW**

The Committee received the Annual Local Code of Good Governance Review report 2020/21, by the Monitoring Officer and Chief Finance Officer.

The Committee noted that progress had been made on compliance actions in regard to the Payment Card Industry Data Security Standard Accreditation, where

the single payment source had been identified, and it was noted telephony changes were required as part of the resolution of this item by the March 2022 deadline.

**RESOLVED:**

That the assessment carried out by the Monitoring Officer and the Chief Finance Officer and the actions set out in Appendix 3, be noted.

**15 DRAFT ANNUAL GOVERNANCE STATEMENT 2021**

The Committee considered the Draft Annual Governance Statement for 2020/21.

Members noted the updated version of the report circulated after the main despatch.

The Annual Governance Statement reported that the Council had sound levels of internal control and good governance arrangements. The Statement identified some areas for improvement and these would be managed by the Council's Executive Management Team.

**RESOLVED:**

That the draft Annual Governance Statement for the Financial Year ended 31st March 2021 as reported in Appendix 1, be approved.

**16 DRAFT ANNUAL FINANCIAL REPORT 2020 / 2021**

The Committee considered the Draft Annual Financial Report for 2020/2021.

The Council was required to include the following accounting statements within the Annual Financial Report for 2020/2021.

- 1a) Comprehensive Income and Expenditure Statement
- 1b) Expenditure and Funding Analysis (in NFDC management format)
- 2) Movement in Reserves
- 3) Balance Sheet
- 4) Housing Revenue Account
- 5a) Collection Fund – Council Tax
- 5b) Collection Fund – Business Rates
- 6) Cash Flow Statement

The Section 151 Officer summarised the key factors affecting this year's accounts:

- For 2020/21, the Business Rates collection fund showed a deficit of £28.4 million, as a result of the additional reliefs announced by the Government in response to the pandemic, where many businesses had their Business rates exempted. The Council was fully reimbursed to reflect this, but this would show in the following year.
- The accounts as presented with NFDC, Group accounts are also being prepared to include Appletree Property Holdings; the Council's residential property investment arm.
- The Council's overall financial position showed a balance sheet reduction of £6m last year, but the Council's net assets still stood at £267m.
- The value of Council dwellings increased.

- The value of the Council's investment property had increased, though this was reflected in the corresponding reduction in cash held by the Council.
- Reserves had increased by £14.4m, though much of this would be applied to the Council's proportion of the Business Rates deficit.
- Delivery on General Fund Services over the last financial year
- Delivery of Capital Programme, a spend of just under £27m against a target of approximately £25m, as a result of reduced slippage and additional schemes.
- Good performance on pooled funds interest earnings despite a difficult year
- Pension liability up £17m. An actuarial review due in 2022, which would address this.

It was confirmed that responsibility and oversight for profit or losses in respect of Appletree Holdings, was with the Investment Panel (residential and commercial), received updates from Andrew Smith, Service Manager, Estates and Valuation, as Director of that Company. The shareholder representation comprised S151 Officer, the Portfolio Holder for Finance and the Chief Executive.

#### **RESOLVED:**

That Committee note the draft Accounting Statements set out in Appendices 1-6, which were a summary of the Annual Financial Report that would be certified by the Responsible Financial (S151) Officer for the submission to the External Auditor by the deadline of 31 July 2021.

#### **17 EXTERNAL AUDIT PLAN 2021**

The Committee considered the External Audit Plan for the year ended 31 March 2021.

The Committee noted supplementary papers relating to this item, which were circulated after the main agenda papers and included 2 letters, dated 27 January and 1 June 2021, from Ernst and Young (EY) to all Audit Committee Chairs.

Mr Suter presented the Plan and explained that this would normally be presented in March but due to Covid 19, changing timescales, and various backlogs, there had been delays to normal EY cycles.

Members noted the dashboard at page 97 which gave an overview of the audit strategy and changes in risk or focus and new areas for audit.

Mr Suter explained that, given the close of accounts was now 31 July 2021, EY was unable to achieve an appropriate high quality audit by 30 September 2021 across all of their clients. The timing of audits had therefore been reviewed and as a result the external audit for New Forest District Council had been moved from July 2021 to November 2021. He stressed that this in no way reflected on the quality of the Council's accounts or its ability to support an audit. He emphasised the difficulties faced by EY in terms of remote working, changing timescales and their own staff shortages due to the wider audit market. Measures were in place to address the situation. He acknowledged the difficulties this would pose for the Council.

The S151 Officer explained that his would disrupt and delay the Council's accountancy workloads and timescales, as they were due to deal with other scheduled work at that time. Some external returns would not be possible to complete by the required deadline.

The Chairman asked the Section 151 officer to prepare a letter from the Chairman in response to the revised Audit Timeline as set out by Mr Suter, outlining the Committee's disappointment at the External Auditor missing the revised targeted audit completion date. The Committee supported the Chairman's suggestion and echoed the Chairman's comments.

**RESOLVED:**

That the report be noted, subject to a letter being sent to EY from the Chairman of the Committee as outlined above.

**18 AUDIT COMMITTEE WORK PLAN**

The Committee considered its Work Plan for 2021/22.

It was noted that, due to the delay in audit time scales discussed earlier in the meeting, it would be necessary to delete the 10 September 2021 meeting, and schedule a Committee meeting on the new date of 17 December 2021 at 9.30am.

The meeting date of 29 October 2021 would remain as scheduled.

CHAIRMAN